

# FDIC State Profile

Spring 2004

## Mississippi

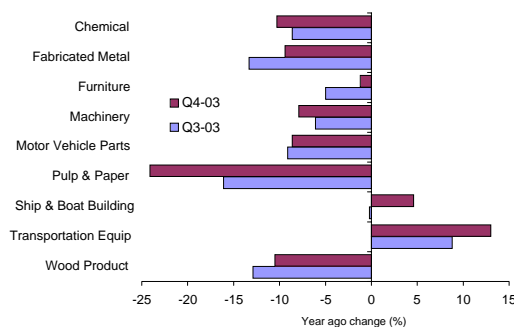
Mississippi employment levels grew slowly during 2003, as the rate of manufacturing job losses eased.

- Payroll employment in Mississippi remains flat in fourth quarter 2003, following several quarters of weak job growth.
- The few sectors posting year-over-year job growth include state government, professional and business services, education and health care, and construction. In contrast, job losses continued in finance, insurance and real estate, and leisure and hospitality.
- Although manufacturing jobs were down in fourth quarter compared to a year earlier, there were some signs of improvement with approximately 500 jobs added between the third and fourth quarters. The most recent quarterly manufacturing employment gain is the first since fourth quarter 1998.
- Transportation equipment and defense-related ship and boat building were the only manufacturing sub-sectors to gain jobs in the second half of 2003. (See Chart 1.)
- A recent national monthly survey of manufacturing conditions suggests overall improvement is underway, but employment conditions may remain weak for the near term.<sup>1</sup>

The Gaming industry has shown improvement in the second half of the year.

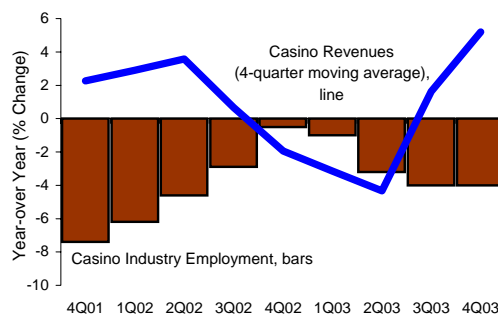
- Gaming revenues rose 5.2 percent on a year-over-year basis in fourth quarter 2003, the second consecutive quarterly increase. (See Chart 2.)
- Although the trend in gaming revenues may indicate improved prospects for jobs in 2004, casino employment declined to approximately 29,000 by the end of fourth quarter 2003, the twelfth consecutive quarterly decline.<sup>2</sup>

Chart 1: Transportation and Defense Related Segments Led Improvement in Mississippi's Manufacturing Sector



Source: Bureau of Labor Statistics

Chart 2: Improvement In Casino Revenues Could Boost Employment In Mississippi's Gaming Industry



Source: Bureau of Labor Statistics, Mississippi Gaming Commission

Table 1: Consumer Credit Quality Remains A Major Concern for Banks and Thrifts in Mississippi

State	Consumer past-due loans to total consumer loans (median,%)			4Q03 National Rank
	4Q02	3Q03	4Q03	
Arkansas	3.45	3.00	3.24	5
Louisiana	3.14	2.79	2.92	8
Mississippi	4.51	3.84	3.80	1
Tennessee	4.10	3.23	3.44	2
Area	3.64	3.12	3.34	
Nation	2.40	2.13	2.18	

Source: Bank and Thrift Call Reports; Established community banks only

<sup>1</sup>The Institute for Supply Management monthly ISM index rose in January 2003 to 63.6, the ninth monthly increase above 50, which represents expansion.

<sup>2</sup>The introduction of the gaming industry in the early 1990's stimulated the state economy throughout much of the 1990's. By the end of 1999, the 29 casinos (with over 34,000 employees) generated nearly \$2 billion in annual revenue. However, the industry is now mature, without any new entrants during the past two years.

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The gaming industry accounted for 2.6 percent of statewide employment at the end of the fourth quarter.

### Farm income has generally improved during 2003.

- Farm income for row crop producers improved in 2003, as a result of favorable production levels, strengthening commodity prices, and a weak U.S. dollar.
- In contrast to generally favorable farm trends, catfish producers have struggled with prices well below the 10-year average of \$0.74 per pound. A slight improvement in prices in late 2003 might signal the end of the three-year price slump.<sup>3</sup>
- Employment in lumber and wood products could improve with a recent increase in lumber prices. The price of wood products benefited from a surge in demand related to housing construction, low inventory, and the rising cost of foreign substitutes.

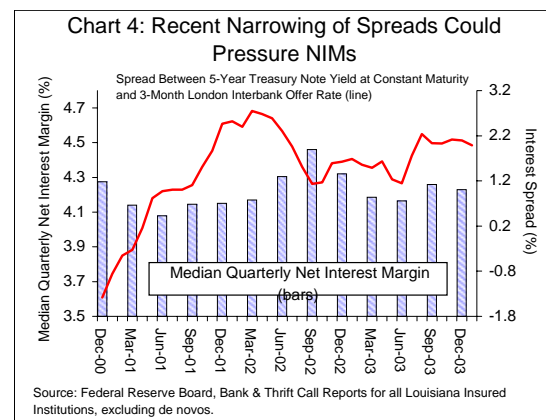
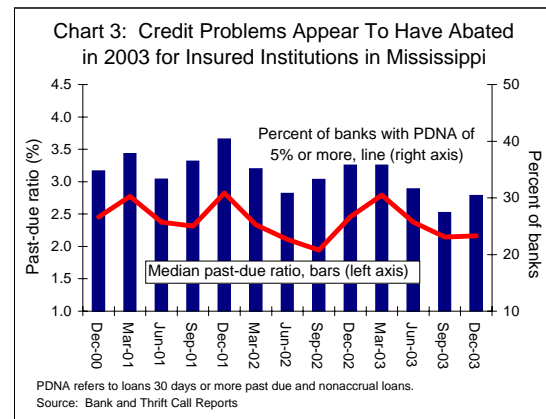
### Although consumer credit quality issues remain, past-due loans levels among insured institutions based in Mississippi declined.

- Financial stress among Mississippi consumers was evidenced by a personal bankruptcy filing rate 210 basis points higher than the national figure, ranking the state tenth nationally. In addition, insured institutions headquartered in Mississippi reported the highest median past-due consumer loan level of any state. (See Table 1.)
- Overall median past-due loan levels peaked during 2001, climbing to levels not reported since 1992, but the figures improved at year-end 2003. The number of insured institutions reporting relatively high-past dues of 5 percent or more of total loans also declined.<sup>4</sup> (See Chart 3.)

### Net interest margins remained flat at year-end 2003 and may be further pressured.

- The quarterly median net interest margin (NIM) reported by established insured institutions headquartered in Mississippi peaked at 4.46 percent in third quarter 2002, but declined to 4.23 percent in fourth quarter 2003.
- The decline in NIMs occurred despite favorable market interest rate spreads. The decline was attributable in part to a general decline in loans, which typically offer higher returns than alternative investments, and rising competition.

- As the national economy gains momentum, interest rates are expected to rise. An increase in interest rates, particularly if accompanied by a shrinking of currently high spreads between short- and long-term rates, could place significant downward pressure on NIMs. (See Chart 4.)
- Improved economic growth should bolster the financial condition of many borrowers. However, some business borrowers may experience deteriorating financial positions, because their funding costs and sales revenues are rate sensitive.



<sup>3</sup>The average prices for catfish rose above \$0.60 per pound in late 2003 for the first time in three years.

<sup>4</sup>The median past-due ratio reached 3.66 percent at year-end 2001; the ratio was 2.79 percent in fourth quarter 2003. Twenty-three percent of insured institutions in Mississippi had past-due rates in excess of five percent at year-end 2003, down from nearly 60 percent at year-end 1999.

## Mississippi at a Glance

<b>General Information</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Institutions (#)	103	105	107	109	107
Total Assets (in thousands)	40,055,803	38,211,063	36,414,650	35,053,208	30,352,920
New Institutions (# < 3 years)	1	6	10	13	8
New Institutions (# < 9 years)	16	16	16	16	11
<b>Capital</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Tier 1 Leverage (median)	9.81	9.66	9.83	9.94	9.98
<b>Asset Quality</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Past-Due and Nonaccrual (median %)	2.79%	3.26%	3.66%	3.17%	3.22%
Past-Due and Nonaccrual >= 5%	24	28	33	29	19
ALLL/Total Loans (median %)	1.51%	1.43%	1.42%	1.39%	1.37%
ALLL/Noncurrent Loans (median multiple)	1.85	1.62	1.72	1.50	2.44
Net Loan Losses/Loans (aggregate)	0.34%	0.41%	0.42%	0.40%	0.29%
<b>Earnings</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Unprofitable Institutions (#)	6	5	10	10	7
Percent Unprofitable	5.83%	4.76%	9.35%	9.17%	6.54%
Return on Assets (median %)	1.06	1.07	1.02	1.04	1.10
25th Percentile	0.69	0.82	0.67	0.69	0.79
Net Interest Margin (median %)	4.18%	4.29%	4.06%	4.29%	4.41%
Yield on Earning Assets (median)	5.98%	6.74%	7.88%	8.38%	7.98%
Cost of Funding Earning Assets (median)	1.80%	2.44%	3.87%	4.14%	3.67%
Provisions to Avg. Assets (median)	0.21%	0.23%	0.24%	0.24%	0.22%
Noninterest Income to Avg. Assets (median)	0.87%	0.92%	0.88%	0.85%	0.82%
Overhead to Avg. Assets (median)	3.14%	3.19%	3.12%	3.05%	3.11%
<b>Liquidity/Sensitivity</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Loans to Deposits (median %)	72.90%	72.20%	72.73%	75.08%	73.20%
Loans to Assets (median %)	61.24%	61.11%	61.32%	63.46%	61.72%
Brokered Deposits (# of Institutions)	13	10	11	12	9
Bro. Deps./Assets (median for above inst.)	1.79%	3.73%	3.53%	4.31%	4.78%
Noncore Funding to Assets (median)	20.93%	21.44%	21.19%	20.91%	20.23%
Core Funding to Assets (median)	67.02%	67.24%	67.25%	66.95%	68.98%
<b>Bank Class</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
State Nonmember	74	76	78	80	78
National	20	20	20	20	20
State Member	1	1	1	1	1
S&L	4	4	4	4	4
Savings Bank	3	3	3	3	3
Stock and Mutual SB	1	1	1	1	1
<b>MSA Distribution</b>	<b># of Inst.</b>	<b>Assets</b>	<b>% Inst.</b>	<b>% Assets</b>	
No MSA	89	27,989,114	86.41%	69.88%	
Jackson MS	6	8,055,643	5.83%	20.11%	
Biloxi-Gulfport-Pascagoula MS	5	3,691,592	4.85%	9.22%	
Hattiesburg MS	2	163,018	1.94%	0.41%	
Memphis TN-AR-MS	1	156,436	0.97%	0.39%	